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# Exploring the role of business in society

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**Abstract** Of late the idea that business is a ‘force for the good of society’ has come under scrutiny. The conventional view that as long as businesses act legally and ethically, they need not concern themselves with larger social goals is now being challenged the world over. Businesses are more conscious of the environment and sustainability, or of possible adverse impacts on society and consumers. In India, liberalisation in the 1990s led to Indian business becoming globally competitive. However, impressive growth rates have been accompanied by a growing gap between the rich and the poor. This has brought into sharp focus the role of business in society and the crucial question; *to whom does the wealth created belong?* Scholarly and practitioner perspectives on the subject are followed by a round table discussion with a panel of entrepreneurs from the corporate sector and leaders of civil society debating on several contentious issues.

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## Academic perspective

### International context

In the developed world, business plays a much more important role in society than it does in the less developed parts of the world. There is also a much wider consensus that business is a force for the good of society. However, of late, that assumption has come under closer scrutiny. There is a growing articulation of the need to understand the role of business in society.

Various authors have argued for a range of corrections, though there is by no means a consensus. At one extreme, some argue that as long as businesses act ethically and legally, they need not concern themselves with larger social goals. Milton Friedman (Friedman, 1970), in a classic article, says, ‘The whole justification for permitting the corporate executive to be selected by the stockholders is that the executive is an agent serving the interests of his principal. This justification disappears when the corporate executive imposes taxes and spends the proceeds for “social” purposes. He becomes in effect a public employee, a civil servant, even though he remains in name an employee of a private enterprise. On grounds of political principle, it is intolerable that such civil servants—insofar as their actions in the name of social responsibility are real and not just window-dressing—should be selected as they are now. If they are to be civil servants, then they must be elected through a political process. If they are to impose taxes and make expenditures to foster “social” objectives, then political machinery must be set up to make the assessment of taxes and to determine through a political process the objectives to be served’. He goes on to contrast the capitalist and socialist systems: ‘This is the basic reason

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why the doctrine of "social responsibility" involves the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses'. He concludes that 'there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud'.

It is important to recognise that this view was articulated in 1970 when there was a lot of debate about the virtues or otherwise of the free market system. The argument here is essentially based on the right to private property, right to earn profits on capital, and the free market system. Friedman also characterised 'the present climate of opinion' as one having 'wide spread aversion to "capitalism", "profits", and the "soulless corporation"'.

Later authors have justified the same point of view, not on the basis of political principle, but on the basis of what is most effective and efficient for a business to do. In this view, businesses will in fact serve society best by focussing on what they know how to do well—namely create products and services that customers value. The economist Barro (2007) argues that Bill Gates contributes more to society through Microsoft than through his foundation. According to such a view, business makes the world a better place to live in by producing products that consumers value. Poverty can be addressed better by improving the economy than by massive amounts of aid. Altman and Berman (2011) argue that 'With a long enough time horizon, many social benefits created by the operations of for-profit companies can generate private benefits for the companies themselves. As a result, executives planning for the long term create social benefits in the most efficient way when they target a single bottom line – profit. Though calculating the private value of social initiatives under a single bottom line requires the use of estimates and probabilities, this approach offers greater efficiency in decision-making and more sustainable social benefits than schemes such as corporate social responsibility, creating shared value, and double- or triple-bottom lines'. By the time these arguments were made, the West was far more secure about the widespread acceptance of the free market system.

Other scholars have a slightly different view on the issue. Some argue for an explicit recognition of the need for a greater involvement of business in society. This seems to be a response to the shortcomings of business in recent times, and an attempt to recapture a position of moral strength. It is often based on environmental and sustainability considerations, and adverse impacts on society and consumers. The Confederation of Swedish Enterprise, in its report on the *Role of Business in Society* (2004), reiterates that business is the cornerstone of prosperity in society, and that businesses create the resources that lead to development and welfare. The report makes a clear distinction between the 'civic involvement' of companies and corporate social responsibility, which is a less broad concept. Aiming to 'stimulate an attitude among businesses that is thoughtful, ambitious and farsighted as far as norms and values are concerned', the report recognises the need for a wider involvement in society, particularly the need to 'increase awareness of the role of business in society and the importance of acting in harmony with social norms'.

On the wider role of business, Davis (2005) emphasises that it is 'time for CEOs of big companies to recast this debate and recapture the intellectual and moral high ground from their critics'. Outlining an agenda for action in their report on the role of business in society, Fitzgerald & Cormack (2006), say, 'The role of business in society is on the board room agenda. ... business needs to continuously invest in its relationship with society and to account for its use of natural resources'. The International Organization of Employers adopted the following resolution in their General Council in May 2005 ('*CSR: An Employers' Approach*', 2005)—that CSR is 'Initiatives by companies voluntarily integrating social and environmental concerns into their business operations and in their interaction with their stakeholders.'

In addition to sustainability and environment, there are increasing concerns about morality and responsibility. The Directorate General for Research & Innovation at the European Commission says in its report ('*Towards a greater understanding...*', 2011): 'The recent world financial and economic crisis revealed a considerable deficiency of responsible management and accountability of financial institutions which contributed significantly to the chaos on the markets and the depth of the crisis. Due to this, it is time for a much broader definition of the role and responsibility of business in the globalised world, where growing responsibility should go hand in hand with growing influence. Many business leaders are aware of this need and their increasing engagement in dialogue with academics, stakeholders and policy makers demonstrates their readiness to face societal expectations.' All these are responses to recent crises.

Another set of authors tries to examine whether it is possible to make higher profits by serving society. Fisman (2011) says: 'Is it really possible to do well by doing good — to save the world and earn more money as a result? This apparent free lunch may be possible if today's conscientious consumers seek products made by kinder, gentler companies — and are willing to pay a premium for them. By analysing hundreds of thousands of eBay listings, we find that consumers are more likely to purchase products from sellers that bundle their listings with charitable contributions, and are willing to pay higher prices for these charity-linked goods'. In his view, 'This certainly isn't to suggest that programs that don't add to the bottom line should be dropped by corporate America. But it's best to be honest about whether you're doing well by doing good, or simply doing good for its own sake'.

Porter and Kramer (2011, 10) take this much further. They argue for a more overarching framework where not only do businesses act responsibly, but in the very process of doing good to society, they create more value for themselves. They say that 'In recent years business increasingly has been viewed as a major cause of social, environmental, and economic problems. Companies are widely perceived to be prospering at the expense of the broader community'. They go on to add, 'the purpose of the corporation must be to create shared value, not just profit per se'. By shared value they mean that societal needs must define markets and not merely economic needs. They argue for an expansion of both social and economic value. For instance, they say that while fair trade can increase

**Table 1** Role of business in society – an overview of main positions.

Role of business	Main arguments
Earn profits	Economic and political ideology; managers as agents of shareholders need to be honest to their main task; do what you are best at – this automatically leads to social good
Corporate social responsibility	Need to address environmental and ethical concerns – response to situation
Active involvement in society	Need to act in harmony with society; recapture moral high ground; account for use of natural resources; match growing influence with growing responsibility – response to situation
Do good (philanthropy, individual or corporate)	Consumers respond positively to such companies
Create social value	Win–win for business and society by creating greater value

farmers' incomes by about 20%, the concept of shared value can increase it by 300%. This may require initial investments and better procurement and management practices, but these pay for themselves in the long run.

More recently, the debates and arguments have been further developed to include the role of corporate philanthropy. In this view, the role of governments was shrinking, and their ability to deliver good management was questionable. Hence there is a need for a greater role of the corporation in addressing the problems of society. In *Philanthrocapitalism* Bishop and Green (2008), show how strongly motivated, large donors have 'set out to change the world'. They also argue for a greater role in philanthropy for all citizens to address the problems of the world. In their view, as governments 'cut back their spending on social causes, giving may be the greatest force for societal change in our world'. Klaus Schwab, Founder and Executive Chairman of World Economic Forum, says (Schwab, 2011): 'More than ever, the new reality underscores the need to create new bonds rather than new boundaries. We need new partnerships and alliances between public, private and civic life to tackle the problems that lie ahead.'

The main positions can perhaps be captured in Table 1.

### Domestic context

Business is perhaps the most influential sector in India. It is the engine behind the growth of the economy. Businessmen today have a great influence on the economy, on employment, government policy, and sometimes, on politics as well ('How India's New Philanthropists ...', 2011). India's rupee billionaires have a combined wealth of about US\$357 billion, or 20% of the market capitalisation of all listed companies in India. There were 657 rupee billionaires and 45 dollar ones in 2011 (Business Standard, 17 Feb 2011).

This was not always so, and the change has perhaps accelerated in favour of business since 1991, the year India started to liberalise its economy. The list of achievements is impressive, with several Indian companies now becoming truly global and competing with well known multinationals successfully. Several industry associations like The Confederation of Indian Industry (CII), The Associated Chambers of Commerce and Industry of India (ASSOCHAM), Federation of Indian Chambers of Commerce (FICCI), The

National Association of Software and Services Companies (NASSCOM) and others have also started playing an active role in promoting business and good governance.

However, there are two other factors that significantly influence how business operates in India at present. One is the growing disparity in income between the rich and the poor. Various committees have put the percentage of people below the poverty line between 25% and 70% depending on the assumptions made. Even at the lowest estimate, this is about 300 million people, equivalent to the population of the United States or Western Europe. The Economic Times reports ('India's New Rich ...', 2011) that 'Some 42 percent of Indians, or 455 million people live on less than 1.25 dollars a day, and according to the World Bank and India's statistics on health, infant mortality and malnutrition are worse than those for sub-Saharan Africa.' The other factor is the growing protests against business in various parts of the country, particularly on issues related to land, mining and minerals. The issue of displacement of people by business has not received much attention in the West. But it is a serious issue in several countries including India, and academics, corporate executives, civil society leaders and governments have expressed views on it. Most of the recent scams have led to widespread concern about the role of business. These protests are often led by civil society leaders. Of late, the role of civil society has become more and more important as they attempt to hold both governments and corporations accountable.

In short, we are in a new situation today, with business and civil society growing stronger, and government under more pressure from these two groups. At the same time, the differences between civil society and business in some areas seem to be growing, and the differences between government and business shrinking.

In this situation, it is hardly surprising that views from India are sometimes quite different from those in the West. Perhaps in recognition of this, the Business Action for Sustainable Development 2012 (BASD) selected Kris Gopalakrishnan, MD and CEO of Infosys, as its new chair and announced<sup>1</sup>, 'He will lead the BASD in its efforts to

<sup>1</sup> On June 28, 2011, <http://basd2012.org/project/gopalakrishnan-to-lead-basd/>.

strengthen the voice of the sustainable development business community at the 2012 United Nations Conference on Sustainable Development in Rio de Janeiro, Brazil (Rio+20).’ In contrast to the views expressed by Western scholars and industry associations, Gopalakrishnan argues for a much greater and direct involvement of business in the problems of society (Teather, 2007), saying, ‘We must accelerate our communal efforts to identify concrete solutions to poverty, climate, food, water and energy challenges. Business and industry worldwide must continue to drive sustainability, not just in their own operations but also in their interactions with their communities. In emerging economies, business and industry must set an example in their home countries and their broader regions.’ In his view, global companies must evolve ‘standards, norms and rules for sustainability in a manner similar to the International Financial Reporting Standards (IFRS) for accounting’, and should actively work with governments to make such standards mandatory. He holds a rather radical view that for the vast majority in India, the negative effects of globalisation may outweigh the positive, with the effects being positive ‘only for about 1.3m people. ... maybe five times that, maybe 5 million benefit from the extended economy’ with the picture being dismal in the rural economy.

*An Overview of Philanthropy in India*, a study by Sheth (2010) also reveals that there are many more Indian philanthropists who feel strongly about one or more important causes and are putting their weight behind them. Citing this Bain & Company study, the Economic Times report says, ‘India leads other developing nations in charitable giving. Philanthropic donations amount to 0.4% of India’s GDP ahead of Brazil (0.3% of GDP) and even China (0.1% of GDP)’ (*India’s New Rich ...*, Feb 20, 2011). However, donations to religious causes outstrip other donations, and India’s donations lag far behind those in the US and Europe even if we correct for ratio of incomes donated. According to the study, private donations accounted for 2.2% of the GDP in 2009 in the US and 1.3% in 2010 in the UK. Private individual giving in India is still only 25% whereas it is about 75% in the US and 60% in the UK. This is perhaps understandable in a country with much lower per capita incomes, and for the foreseeable future, donations would have to come from wealthy individuals. Even among wealthy individuals, Indians give away less than 2% whereas in the US it is about 9%. Tax laws, lack of trust in NGOs, and lack of information about good organisations are cited as some of the major reasons for the relatively low amounts donated in India. It is estimated that between Rs 25,000 and Rs 30,000 crores (\$5.6 billion to \$6.7 billion) are donated, of which corporate donations are estimated to be about Rs.7500 crores (\$1.7 billion) according to the study.

There are many well known active philanthropists, including several non resident Indians (NRIs). Several others believe in silent giving, and prefer to shun all publicity. In the view of Katherina M Rosqueta, executive director at the Center for High Impact Philanthropy at the University of Pennsylvania, Indian philanthropy is more ‘intimate’ than American, where the giver is more likely to have some kind of personal connection with the beneficiaries. However, all do not feel the same way. Some of the wealthiest feel they

are too ‘young to do charity’ (*India and China will Leapfrog ...*, 2011).

### The civil society perspective

Civil society and many citizens outside the mainstream see things very differently. At the heart of this difference is a suspicion of business. Even the courts are not exempt from this. In a recent judgement the Supreme Court of India, said ‘The culture of unrestrained selfishness and greed spawned by modern neoliberal economic ideology, and the false promises of ever increasing spirals of consumption leading to economic growth that will lift everyone, under-gird this socially, politically and economically unsustainable set of circumstances in vast tracts of India.’ The court goes on to say, ‘The justification often advanced, by advocates of the neoliberal development paradigm, as historically followed, or newly emerging, in a more rapacious form, in India, is that unless development occurs, via rapid and vast exploitation of natural resources, the country would not be able to either compete on the global scale, nor accumulate the wealth necessary to tackle endemic and seemingly intractable problems of poverty, illiteracy, hunger and squalor. Whether such exploitation is occurring in a manner that is sustainable, by the environment and the existing social structures, is an oft debated topic, and yet hurriedly buried.’ It goes on to add, ‘Predatory forms of capitalism, supported and promoted by the State in direct contravention of constitutional norms and values, often take deep roots around the extractive industries (Supreme Court of India, 2007).’

In an interview in October 2007, the World Bank Country Head in India said that ‘privatisation puts too much wealth in too few hands’ (*Privatisation puts too much ...*, 2007). The intellectual approach is in stark contrast to what we see in the West. Several recent scams have also led to a questioning of the process of development. For many, behind each scam, several business houses are involved with corrupt and pliant government bureaucrats and politicians, whether in spectrum allocation, the Commonwealth Games, land deals, and allocation of mining, mineral and natural resources to private companies. The sheer magnitude of the funds involved is simply unprecedented. Depending on one’s ideological preferences, one blames the government, the business houses or both.

This leads to a crisis of faith. Civil society on the one hand is critical of the government, and on the other, of big business. They see a nexus between the two which acts against the interests of ordinary citizens. Fig. 1 summarises the situation.

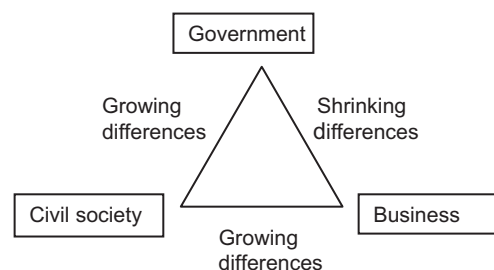


Figure 1 Civil society’s view of business and government.



## Role of business education

In this situation where there is much to celebrate and much to be worried about, there is a need to re-look at the role of business education. [Rayment and Smith \(2010\)](#) report that in 2005, 'Deans at the EFMD Conference (GRLI, 2005:33) were in unanimous agreement, that business schools should do more to influence students so that after graduating they make decisions and behave in ways that reflect globally responsible leadership.' They further argue that leaders of many European business schools are focused on business and on local or national issues, and ignore the broader role of business education. In their opinion, the BRIC countries (Brazil, Russia, India and China) should avoid the mistakes of the West and design more holistic curricula.

There are recurring debates in business schools about the relevance and the need for ethics in the curriculum. Some advocate the need for teaching ethics. However, there is little consensus on how this can or should be done. Others argue that ethics cannot be taught, or even that it should not be taught. Prescriptions range from going back to basics, to experiential learning, to a broader liberal arts type of multi disciplinary education, and to learning by doing. There is a lot experimentation going on. Perhaps a broader consensus on allowing students to discover the role of business in society for themselves will emerge.

## Way forward

At times of crises it is difficult to believe that there is a way forward. We need to reconcile or at least understand the differences between business, civil society and government. Many of the differences can probably be sorted out if all the relevant facts are there in the public domain, and there is a series of dialogues between all stakeholders. It is unlikely that everyone will agree, since the underlying positions reflect deeper personal values or world views. Individual freedom and the 'pursuit of happiness' as enshrined in the American Constitution underpins the free market, capitalist system. In the Preamble to the Indian Constitution, 'liberty of thought, expression, belief, faith and worship' goes with 'justice, social, economic and political', and 'equality of status and opportunity'. With such contrasting world views, it is worth examining a key question: *to whom does the wealth created by business belong?* Differences arise from the answer we give to this question. To the capitalist, the residual wealth belongs to the investors. A deeper argument is that without this incentive, no wealth will be created. In many other societies, there may not be any agreement on this. For business to succeed, it needs several conditions – well educated employees, infrastructure, paying customers, law and order, and various other resources. This is provided by society, with the government as its agent. The imposition of tax tries to capture this notion. Presumably, this revenue is used for the collective good. But then, does society have a greater share in the profits of business? For many in the civil society, the answer is 'yes', because business often creates wealth at the expense of society and the ordinary citizen. They are also convinced that a billionaire's wealth is not entirely deserved. To them it seems that s/he takes advantage of an unfair system, has undue

influence on the government, and changes the rules of the game to suit her/his interests.

The problem of common property and the use of natural resources, and the negative externalities due to over exploitation and the impact on the environment have not yet been sorted out to everyone's satisfaction. As [George Soros](#) says, 'I think there's a lot of merit in an international economy and global markets, but they're not sufficient because markets don't look after social needs.' ([Schapiro, 2000](#))

The more ancient texts say that the wealth of the world belongs to everybody. Much of it comes from the scriptures, whether Indian or Western or Islamic. In Islam, all wealth is held in trust by the individual but really belongs to Allah. The Hindu scriptures have exhortations to *daanam* or charity scattered across various texts. Mahatma Gandhi similarly propounded the concept of trusteeship of wealth. And the Christian teaching to 'love thy neighbour as thyself' is also an exhortation to philanthropy. In more modern times Kris Gopalakrishnan, co-founder and co-chairman of Infosys Technologies says ('How India's New Philanthropists...' 2011) 'Each individual has to decide for himself or herself. I believe that if every individual can help at least one other individual at their time of need, that's sufficient.' But then modern societies and markets are not governed only by the scriptures. While there are unlikely to be universally acceptable answers to the question, the way each society or nation evolves a shared norm or value in response to this question will determine the role of business in society. In the developed world that social consensus is perhaps already there, though there is constant re-examination. In India and the developing world, that consensus is still evolving.

## Exploring the role of business in society: Discussion

### Anchor

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### Panelists

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Participants in the EAM-I 2011 Conference, and faculty and students from IIMB were part of the invited audience, and participated in the discussion.

## Trilochan Sastry

I will begin by introducing the speakers and the topic for discussion. We have on our panel today two people from

the corporate sector, who, along with being highly successful entrepreneurs are also are very deeply engaged with society. We have the well known activist from civil society, Nikhil Dey, who is a founder of the Mazdoor Kisan Shakti Sangathan (MKSS) and the co-convenor of the National Campaign for People's Right to Information (NCPRI). His group had a very significant role to play in getting the landmark Right to Information bill passed in parliament. They are also behind the National Rural Employment Guarantee Act which again was a piece of landmark legislation. Kiron Shah, founder of the Velankani group, is a classic entrepreneur. He knows how and when to take risk and he has built up several successful companies. He has also been closely engaged with issues beyond business, is willing to stick his neck out and even look like an activist sometimes and take on the government. Vishnu Dusad is the founder of Nucleus Software Exports. India is well known for software exports but his company is unique for two reasons. Unlike most Indian companies which are restricted to software services his is one of the rare product companies from India. And they practise very high standards of reporting, accounting, transparency and ethics. The Institute of Chartered Accountants of India has consistently recognised their annual accounts for excellence in financial reporting. Vishnu also supports a lot of civil society work which influences the way he runs his business enterprise.

It is increasingly becoming clear, at least in India that 'business as usual' is not going to work. The gap between the rich and the poor is increasing and there are varying accounts of 25%–75% of the population being below the poverty line. On the one hand there is the outstanding success of Indian business globally, and on the other, the widening gap between the rich and the poor. This increasing difference in society may not be sustainable anymore.

To frame our discussion I would like to share the thoughts of two recent thinkers on the subject - one from the West and one from India. [Porter and Kramer \(2011\)](#) have recently written on the concept of 'shared value', which is one of the more radical or progressive ideas coming from mainstream business thinkers. According to this concept, the purpose of business ought to be creating shared value and not just making money and profits. While creating wealth for their shareholders, companies must also benefit society and the economy. The wealth or value created by business has to be shared not only by shareholders but by customers, employees and the community at large.

S Gopalakrishnan, the CEO and MD of Infosys Technologies, who has been recognised as one of the top 50 management thinkers in the world for the year 2009 (<http://www.thinkers50.com/home>), has made many pertinent points, of which I will quote three: 1. Business is supposed to do good to society but we see more and more evidence that sometimes it does harm. 2. The business environment leads to concentration of wealth in very few hands, which adds to the disparity in society and which is the root of other problems. 3. In a country of 1.2 billion people, it is the top 1% or 2% that calls the shots. This is a radical statement coming from the head of a respected, internationally well known and successful company right here in Bangalore.

*The first issue we will discuss is: is there a need to rethink the role of business in society? are initiatives like corporate social responsibility (CSR) adequate?*

## Nikhil Dey

This is a question that is very relevant to India today.

We have the present scenario of Indian business doing so well across the world. But business itself is a cause for conflict within the country. People, particularly poor people, feel that business is making money at the cost of their lives and livelihood. So, this is a central question for a country like India with its growth rates of 7–8%. We have to ask ourselves whether these growth rates are at the cost of people, natural resources and a balanced outlook that has existed for hundreds of years within the country. While business needs land, resources and access to them, we need to ask – whom does the business benefit? What kind of help is it to the residents on the land, and ordinary citizens if they are being adversely affected? Why should they care about the growth rate when it actually hurts them?

## Kiron Shah

Businesses continuously need to change, change from the environment in which they operated. If you look at India in the last 60 years, in the first 40 or 50 years, it was a country of shortages. Businesses then learnt how to scale up and operate on a large scale. In many areas, we are no longer a country of shortages. However, we also have a larger challenge as business, government and society work together to bring the value of development to the rest of the population—a segment which has not yet seen development—and doing it in an environmentally sustainable way. Businesses will have to evolve ways of dealing with this challenge. And from what we have seen in the last five to ten years, businesses are waking up to the fact that society cannot be ignored and they will have to figure out how to go forward.

## Vishnu Dusad

Shortages still exist in our country, which is why we are debating the core question of the role of business in society. From the Indian scriptures, it is well understood that all entities, every individual in society is supposed to be dependent on others and is supposed to benefit the rest of society. Over the last few decades, we seem to be going off balance, seeking profit as the only motive, with benefit to society no longer being relevant. To continue with Prof Sastry's thread, I want to refer to another thinker on the subject - John Boggle of the Vanguard Group who again talks about the same thing - whether businesses are for society or for the shareholders alone. It becomes very clear from his logic that businesses, whatever be their size, are meant for society and the shareholders are trustees for the business. Only when we start looking at business from this perspective would we have a society which is functioning smoothly and growing collectively.

## Trilochan Sastry

*All of you seem to agree on the need for re-thinking the role of business and thinking beyond shareholders to society at large. We are all saying that the business of business is not merely business. Why is that so? Is this based on humanitarian grounds, moral grounds or enlightened self interest?*

## Kiron Shah

You have to take society into consideration because business operates in society. Secondly, if we help the rest of society develop, we are in some ways developing our own market. If we go back to the rural areas and double their incomes, it's going to help business as a whole. It makes good economic sense. However, we have to keep the environment in the mind because we may end up destroying what we want to create.

## Nikhil Dey

Let me give you an interesting example. Just now, the Land Acquisition Act is being debated in India. Manufacturing and other kinds of business need land. Land is at the biggest premium in this country because of our numbers of people. The Land Acquisition Act has been in effect from 1894. Despite a few changes, it remains a colonial law with the government being able to acquire land even against the will of the people. And in the proposed new law, government will acquire land for itself and to hand over to business because certain kinds of business are considered 'public purpose'. We need to ask ourselves, what exactly is 'public purpose'?

Going back to Trilochan's question about corporate social responsibility, the point is not that businesses take out 1% or 2% from their profits and make a symbolic gesture of support towards social work efforts; CSR should be there in the DNA of the company. When the issue of land acquisition is being debated and there is a conflict, the first responsibility of businesses should be towards the farmers whose lands are being taken. It is not a question of how stiff or liberal the act is going to be. To me, an example of CSR is where business takes the leadership in saying that their first responsibility is to those whose land is being acquired. That will make a huge difference to the kind of atmosphere that can be built. If not, we will only be dealing with two sides of the spectrum.

## Kiron Shah

I agree completely with Nikhil. We must sit with the land owners and find a way to compensate them adequately; we must find a solution to it rather than go to the government. If the government forces farmers to give up their land, in some ways it is a negative because they are still going to stay outside your factory compound, and you don't want to walk into your factory everyday with the people around you having negative thoughts about it. In the long run, I think it is best that we come up with a mechanism which is fair and transparent to all the people who are giving up their land. Gujarat follows a process where the land price is decided as

the development progresses. The land price is not given when it is acquired but when the industry is ready to use it. So, in that way the compensation is fairer.

## Nikhil Dey

There are huge and numerous protests in Gujarat as well, against land acquisition. I think there is a lot of propaganda built up (including in Gujarat) with each government claiming to have the best possible land acquisition policy. So we really need to think beyond such claims and that's where I think people like you really can take the lead.

## Vishnu Dusad

On the subject of corporate social responsibility, 2% or x% of profits going in a particular direction is like sincerity week or truthfulness week where it is implied that you will be sincere or truthful one particular week of the year, and be lax the rest of the year. The core objective of the business has to be corporate social responsibility. It must be built around CSR rather than CSR being a small part of it.

## Trilochan Sastry

*The differences between the corporate sector and civil society seem to be growing of late. What are the causes of this and how can we address this issue?*

## Kiron Shah

Corporates were basically set up for maximising wealth. Civil society is predominantly focused on social justice. Civil society organisations working in the field usually receive project-based funding whereas corporates have vast resources that they can call upon. Civil society often perceives corporates as bad in some ways. We need to figure out how to have a dialogue which brings to a logical conclusion the objectives that both are trying to reach. And if we find a path that works, there will be much more meaningful dialogue between civil society and corporates.

## Vishnu Dusad

The understanding of what each part of society is doing for society as a whole is not clear. We in the corporate sector assume that NGOs/civil society look at us in a certain way, and likewise, people from civil society assume that this is the way we think. Therefore, that dialogue does not seem to be taking place except in events like this. When we initiate a dialogue with the intent of helping the society at large, we will be able to see each other's perspective and come out with solutions that are meaningful.

## Nikhil Dey

While the three or four of us may not be typical of the scenario that exists, nevertheless, it is people who think like us, who have a responsibility to get this dialogue going.

By and large business and corporations are trying to maximise wealth through profits, and civil society itself consists of a range of organisations with a variety of ideological convictions. But those who work as I do, in an organisation whose objective it is to organise the poor, are part of the voice that opposes the maximisation of wealth, at the cost of people. Business should realise that for its own survival there is a certain minimum that it has to do, otherwise there will be a complete fracture. From my point of view, people who work with the poor need to be far more assertive to be able to just survive. It isn't even a question of dialogue, because there is no space for dialogue for most people from really poor communities. Today, despite our growth rates, we have some of the worst rates of infant mortality and anaemia, the highest numbers of illiterate people and so on. And for those communities there need to be far more platforms and opportunities to be able to present and assert themselves.

### Trilochan Sastry

*However, many people say that if you people don't protest as much as you do, then all these problems would have got sorted out. Your constant protests are preventing development from taking place ....*

### Nikhil Dey

To illustrate what I said earlier, let us take the National Rural Employment Guarantee Act (NREGA) which could be considered a path breaking radical law anywhere in the world. In a nutshell, any rural Indian can ask for wage employment at minimum wages and must get work within 15 days. Every household is entitled to 100 days work in a year. Last year, roughly \$10 billion was spent on the programme. It gives someone Rs. 100 a day, (roughly, \$2 dollars). Industry has been up in arms, big landlords have been up in arms because they say that minimum wages have risen now. Actually minimum wages have not risen; they have become a reality. This is just a programme that has begun to bring a degree of tangible change - not cause a revolution. However, as soon as things start to hurt the privileged classes, the conflicts begin to emerge. People will say if you remain where you are, things will go more smoothly for the country. But whether they will go smoothly for the people concerned is the moot point... They need to be much more aggressive, visible and assertive to even protect their basic rights.

### Trilochan Sastry

Do you think civil society protests too much?

### Kiron Shah

They manage to get attention, which is a good thing. If you look at what has happened in India in the last few months, businesses have said we can't ignore this section whether the politicians and the local environment agree with us or not. We have to take civil society into consideration when we make our policies. In that respect, I think they have to

make noise. They have to be heard. Otherwise, we wouldn't even know that they existed.

### Vishnu Dusad

The concept behind the act (NREGA) is commendable but its implementation has left much to be desired.

### Trilochan Sastry

*One related question: Business has become very influential not only in our country but around the world. And influential not only in terms of markets etc, but they have been able to influence government policies to a much larger extent than ordinary citizens. Is this a good trend or does it need to be reversed? There was a comment that in the 70s and early 80s, the days of the Licence Raj, business used to woo power. Today, in our country, power is running after money. That means the government is wooing business. Is this good or bad?*

### Kiron Shah

It is very good. No question about it. In fact, there is a reason for it. In the 90s, as we liberalised, our trips to New Delhi reduced and in the last three to four years, I have not gone to New Delhi for any permission. Now we have state governments vying with each other to attract business. And anywhere where you have competition, business has a chance to negotiate. Previously we didn't have a chance to negotiate on which state our project should be based in and things like that. So from a business perspective, it is good.

### Vishnu Dusad

From the societal point of view too, it is good. The three pillars - politics, the economy and society have to be balanced; only then does society as a whole progress.

### Nikhil Dey

I couldn't disagree more. I think it is a disaster that business rules the roost today, and that governments are running after business and after money. In a democracy, if you accept the principle of each vote being equal, and give space to money to play an influential role, then it is the amount of money that one person has that influences policy. And obviously, the multitudes are going to get marginalised and that's very much what is happening. Many of the questions that we are facing today, of corruption and crony capitalism, come from a misuse of that money. It's because government is chasing money (and government includes its officials) that it has almost been institutionalised. Therefore many policy decisions are taken not on the logic of what is good for the country but on the way money plays its hand and influences things. I have no argument about needing to curb the power that was exercised by the bureaucracy in the name of the people. But if you have a scenario where businesses are influencing policy based on their wealth and money, which is what they are doing, this



is their route to making windfall profits. And that is certainly not good for the health of the country. Finally it is not good for business either. There will come a time when the bubble will burst and we will have very difficult situations on our hands.

### Trilochan Sastry

*To move to the next set of issues, all people whether they are on the right or the left of the political spectrum, agree that we need to provide employment, we need to create value and wealth and businesses are one of the most important instruments of doing that. To whom does this wealth that is created belong? Does it belong to the entrepreneur, the shareholders, the government, to the consumers or to society at large?*

### Nikhil Dey

We have to think about what wealth and value really are. If wealth is merely the piling up of money and showing very high rates of profits that is not necessarily the 'wealth' of society. Somewhere, that is a change that is taking place for the worse within the Indian scenario. Business certainly has a role in building a healthier society - there is no question about it. Jobs will come from business, and entrepreneurs will emerge from the efforts of business. But what are the values that go into the making of a responsible business person? What are we producing out of the various institutes of management? What are the value structures that we are propagating?

Mahatma Gandhi came from a business background and a business family, but there was a very different set of ethics that was advocated by him for every sphere including business and commerce. He didn't condemn business; it was part of the discussion. It becomes a problem if wealth is defined only through money and profits. Wealth has to be well-being, there has to be some amount of equity. Wealth has to be lack of conflicts, especially between business and people. Those are aspects we have to bring in overall as a society, whether we are sitting in a business or in a people's organisation.

### Trilochan Sastry

*Wealth is created even in a good way. to whom does it belong?*

### Nikhil Dey

It belongs to everyone.

### Kiron Shah

If we are trying to find a singular answer to the question then we are trying to find out whom we should blame. The job of a business or an entrepreneur is to take risks, generate business and create good and meaningful jobs. The job of the government is to run the fiscal and monetary policy and look to the various other rules and regulations

for running the society. And society, in general, looks to get benefits from business, from the government - if they are marginalised and there is social injustice, and so on. So, in some ways, Nikhil's answer is correct. All of us are responsible for the wealth.

### Vishnu Dusad

I would also like to agree. It's a concept of trusteeship. Even as an owner of a business, you are holding that wealth in the form of a trust. You are the trustee of the wealth. It does not necessarily belong to you, it belongs to society. You need to be very clear in your mind when you start the business, when you grow the business, when you make millions and then billions that you will make sure that it is put to use for the benefit of society.

### Trilochan Sastry

*I would like each one of you to give an example of what you consider the most interesting or inspiring example of something that has had a positive impact on society.*

### Kiron Shah

My example would be Bill Gates whose activities have started to have an impact and will last a long time. Many people have made billions and have donated them, but Bill Gates has done it with a view to getting the maximum value for his money. He is setting a new benchmark for all the rich people saying that you have to give it away with the maximum impact to society. For one, you have to start giving it away earlier, when you are in your 40s, you can't wait till you are 70 or 80 to give it away. You also have to build organisations which can use that money much better, in the most efficient manner. So in that respect I think he set a new benchmark so that people who are going to make money and give it away have to learn to match Bill Gates.

### Vinay Dusad

For me, the house of Tatas is an outstanding example of how you serve society and this has been for more than a century. This particular house has been conducting business in the most ethical manner and has created businesses which are absolutely world class, while ensuring that the means are as important as the ends. There are any number of examples including institutions like the Indian Institute of Science here in Bangalore, and hundreds of trusts. The most important part about the ownership is that all the income that comes from the dividends of this huge empire is essentially for philanthropy.

### Nikhil Dey

The concept of the small being beautiful is something extremely important in the world - but we are losing it now. To me, through my 25 years of involvement with ordinary people and citizens groups, I am most amazed by the Indian woman in a poor home. The incredible odds against which

she manages to keep her family afloat would beat any business in how it has been able to maximise its resources. She keeps the family going, her children going, a husband - often aggressive, going, with aggressive men all around, and does it without hatred but with a great amount of balance. So, we have to draw our inspiration from the very ordinary. It is also a business model - where a very limited amount of money that's coming in is being used in the best possible fashion, despite the extraordinary challenges of that situation.

It is also inspiring to see the attitude and commitment to society of some of the young software entrepreneurs who have come from an environment and background quite different from the big ones. They have come from small towns and are often first generation literates, and they have made much more money than their parents and they have a sense of wanting to do something for society in a different and refreshing way. Many of them put together is inspirational in the business side of what I see.

**Trilochan Sastry:** *Now we give the panelists an opportunity to ask some questions. They have a very provocative question for us in management education.*

**Kiron Shah:** You all say business has to change. We were all educated about 25 years ago. So now, our change comes from people who join our organisations. What are you doing to send in the right set of people who will change us?

**Trilochan Sastry:** *What are we doing as management educators regarding these kinds of issues? While we are also seized of the matter, we can do much better than what we are probably doing. So, as management educators how do we react to these issues and how do we change our teaching and research in line with that?*

**Audience:** I have been teaching management for about 40 years now and I have taught in many different countries. I think the suggestion from Nikhil that social responsibility should be in the DNA of the business is a very provocative one and business schools have a tremendous contribution to make here. Management curricula of late are emphasising social responsibilities, which was not the case in the old days. Social responsibility is going to be in the DNA of business only through business education, where we teach our students social responsibility.

**Audience:** There is an increasing awareness that without all round growth, without ensuring that every part of society benefits, we will not go really far. Earlier, in management schools, the conception was that a course which is not in finance or investment will not survive. But this year in IIMB, two courses on inclusive growth were offered and both courses had good enrolments. It is partly our responsibility as management institutions and educators, to provide the necessary leadership. One of our doctoral students is working on the aspect of global leadership which premises that global leaders should contribute to mindfulness, and that globalisation should contribute towards the betterment of humanity at large. So we are playing our part but there is definitely much more scope for us.

**Audience:** I am actually wrestling with this issue. I don't think it's my job. I am not sure whether by the time I get an 18 or 19 year old in my classroom, I am supposed to teach

him/her values. They come to college to be educated and to learn how to perform a task. Within the US context, I think we can engage in discourse, we can engage in comparative analysis, we can analyse and critique but to engage in transformation in the time that we spend in the classroom with them, I am not quite sure that that's the role of business schools.

**Nikhil Dey:** I think you cannot underestimate the transformatory role you perform. A young person who comes into this institute is not the same when he goes out, and the question we must ask is - what is the person like when s/he comes in to the institute, and who is s/he when s/he goes out. Whether we like it or not, one way or the other, there is a hugely transformatory role played by institutes such as this, or business schools around the world.

**Audience:** I will echo that in my response. I think the choices of what we teach are based on our values so if we are strictly teaching accounting and finance and profit maximisation that in itself is a value statement.

**Audience:** There are value systems inherent in institutions but academics have got into trouble in the US when they tried to convey their values to students. This opens up all sorts of issues that put the standing of the institution into jeopardy. While I am clear that whatever we teach is value laden I don't know that a business school is supposed to teach you a certain set of values. Quite frankly, as a major shareholder in several companies, I have no problem with profit maximisation.

**Audience:** There is good psychological research (the Bennington Study) that shows that the years from 18 to 22, the undergraduate years, have a profound impact on the value system of the student who graduates. The Bennington study shows that these young women who come from very conservative wealthy families go in very conservative and come out quite progressive in their roles. I would agree with what Nikhil said - as long as business schools unquestioningly accept and embrace materialistic values we are not doing our students any favour in a global world where they need to build sustainability into the DNA of their companies in order to survive.

**Audience:** Business corporations are the biggest externalising machines. As business school professors, if we can find a way to quantify the negative externalities, corporations can maximise profit. But we have no good way to quantify the negative externalities and we will never find one acceptable for all.

**Trilochan Sastry:** *Thank you all very much for providing such a very interesting discussion.*

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